WEEKLY ECONOMIC REVIEW

JUNE 3, 2005

The Canadian economy grew at a respectable 2.3% rate (annualized) in the first quarter of 2005, up slightly from a 2.1% rate the previous quarter. Growth was driven by strength in consumer spending and business investment, while exports rebounded after two quarters of decline.

Canada's current account surplus[1] fell to $4 billion in the first quarter, but exceeded the market forecast of a $3.3 billion surplus. While strong growth in imports led to a third consecutive quarterly decline in the current account surplus, Canada's current account position remains relatively strong (the United States recorded a record-high current account *deficit* of $666 billion in 2004).

The U.S. economy added just 78,000 jobs in May, the lowest gain in 22 months, and well below the expected increase of 175,000. Other U.S. economic data were more positive, including a strong report on U.S. factory orders in April. The mixed data increased market uncertainty as to the direction of the U.S. economy and the pace of future U.S. interest rate increases.

Cdn Dollar (C¢/US$)

June 3, 2005	80.1¢
May 27, 2005	79.5¢
2005-06 YTD	80.3¢

WTI Oil $US/bbl

June 2, 2005	$53.63
May 26, 2005	$51.01
2005-06 YTD	$51.72

Nymex Natural Gas C$/mcf*

July Contract

June 3, 2005	$8.59
May 27, 2005	$7.99

*Estimate based on Nymex Futures Market Price

World currency markets were volatile, with the Euro falling to an 8-month low against the U.S. dollar following the defeat of the proposed EU Constitution in referenda in both France and the Netherlands. However, the Canadian dollar managed to extend its recent gains, closing above the 80 cent (US) mark for the first time in nearly 3 weeks.

After reaching a 6-week high of over $55 on Wednesday, oil prices receded on news of a further build-up in U.S. oil inventories, which reach a near six-year high.

[1]The current account figure is the combined balances on trade in goods, services, income, and net current transfers.

Economic Indicators Released this Week	Reference Period	Quarter/Previous Quarter	Quarter/Previous Quarter (Annualized Rate)	Quarter/Previous Year's Quarter
	1st Quarter			
Canadian GDP (millions of 1997 dollars, annualized)	1,143,801	0.6%	2.3%	3.3%
Canadian Current Account Balance ($millions)	+3,994	-24.3%	N/A	-40.2%
	April	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[1]
Industrial Product Price Index (1997=100)	111.3	0.5%	1.5%	2.5%
Raw Materials Price Index (1997=100)	142.2	-1.6%	13.3%	13.3%
U.S. Employment	April	Gain/Loss from Previous Month (#)	Month/Previous Year's Month (Y/Y)	Y/Y (% change)
		+78,000	+1,974,000	1.5%

Source: Statistics Canada

[1]Year-to-date 2005 compared to the same time period in 2004. For example: January-April 2005 versus January-April 2004

Alberta Finance